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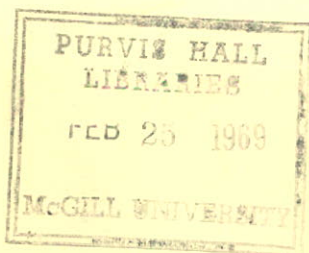
ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies



1968

Financial Statements

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On pourra se procurer le texte français de ce rapport en s'adressant
au secrétariat de la Compagnie, case postale 6090, Montréal 101, Canada.

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

SOURCE AND APPLICATION OF FUNDS — year ending 31 December 1968

	in millions of Canadian dollars	
	1968	1967
Working Capital—beginning of year	<u>\$295</u>	<u>\$213</u>
Source of Funds		
Net income	61	55
Depreciation and depletion	56	53
Deferred income taxes	(2)	4
Cash generation from operations	<u>115</u>	<u>112</u>
Other	<u>4</u>	<u>10</u>
	<u>119</u>	<u>122</u>
Application of Funds		
Plant and equipment	29	102
Advances to affiliated companies	16	—
Net decrease (increase) in debt	76	(121)
Redemption of preferred shares (par value)	3	1
Preferred dividends	2	3
Common dividends	<u>62</u>	<u>55</u>
	<u>188</u>	<u>40</u>
Increase (decrease) in working capital	<u>(69)</u>	<u>82</u>
	<u>119</u>	<u>122</u>
Working Capital—end of year	<u>\$226</u>	<u>\$295</u>

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME — year ending 31 December 1968

	in Canadian dollars	
	1968	1967*
Revenues		
Sales	\$559,479,959	\$500,369,934
Operating revenues	65,993,228	68,500,699
Other income (note 9)	11,379,628	4,721,246
	<u>636,852,815</u>	<u>573,591,879</u>
Costs and Expenses		
Cost of sales and operating expenses	409,007,026	367,422,726
Provision for depreciation and depletion (note 4)	56,058,902	52,632,661
Selling, research and administrative expenses	32,534,460	38,833,306
Interest on debt not maturing within one year	26,743,314	23,720,464
Other expenses	93,281	117,052
	<u>524,436,983</u>	<u>482,726,209</u>
Income before income taxes	112,415,832	90,865,670
Provision for income taxes		
Current	52,784,806	31,631,968
Deferred (note 4)	(1,501,800)	4,402,014
	<u>51,283,006</u>	<u>36,033,982</u>
Net income	<u>\$ 61,132,826</u>	<u>\$ 54,831,688</u>

*Certain items reclassified for purposes of comparability with 1968.

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — ASSETS — 31 December 1968

	in Canadian dollars	
	1968	1967
Current Assets		
Cash	\$ 31,974,901	\$ 36,260,778
Time deposits and Government of Canada securities, at cost	33,103,311	59,241,681
Receivables	35,003,267	40,768,873
Receivable from affiliated companies	105,824,743	90,066,465
Inventories of aluminum and other materials (note 2)	145,901,109	145,258,736
	<u>351,807,331</u>	<u>371,596,533</u>
Deferred receivables	12,008,584	11,175,915
Deferred charges	9,752,969	11,393,005
Advances to affiliated companies	16,040,582	—
Investments in companies less than 50% owned, at cost	1,587,162	1,651,612
Property, plant and equipment, at cost (note 3)	1,565,492,771	1,548,507,997
Less: Accumulated depreciation and depletion (note 4)	820,176,191	771,551,402
	<u>745,316,580</u>	<u>776,956,595</u>
	<u><u>\$1,136,513,208</u></u>	<u><u>\$1,172,773,660</u></u>

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — LIABILITIES — 31 December 1968

	in Canadian dollars	
	1968	1967
Current Liabilities		
Payables	\$ 54,122,871	\$ 47,698,577
Payable to affiliated companies	3,880,088	420,332
Income and other taxes	39,826,822	22,633,680
Debt maturing within one year (note 5)	27,628,747	6,344,621
	<u>125,458,528</u>	<u>77,097,210</u>
Debt not maturing within one year (note 5)	471,698,491	548,339,950
Deferred income taxes (note 4)	137,903,672	139,405,472
Minority interest in subsidiary companies	1,947,435	1,871,904
Capital Stock and Surplus		
Cumulative redeemable sinking fund preferred shares (note 6)		
4% first preferred — par \$25		
Authorized — 600,000 shares		
Outstanding — 296,339 shares (1967 — 318,764)	7,408,475	7,969,100
4½% second preferred — par \$50		
Authorized — 1,200,000 shares		
Outstanding — 907,434 shares (1967 — 962,352)	45,371,700	48,117,600
Common shares — without nominal or par value		
Authorized — 10,000,000 shares		
Outstanding — 8,800,000 shares	100,000,000	100,000,000
Earned surplus (note 7)	246,724,907	249,972,424
	<u>399,505,082</u>	<u>406,059,124</u>
	<u>\$1,136,513,208</u>	<u>\$1,172,773,660</u>

Approved by the Board: F. W. BRUCE, Director

DANA T. BARTHOLOMEW, Director

ALUMINUM COMPANY OF CANADA, LTD

and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNED SURPLUS — year ending 31 December 1968

	in Canadian dollars	
	1968	1967
Earned surplus — beginning of year	\$249,972,424	\$252,644,512
Net income for the year	61,132,826	54,831,688
	311,105,250	307,476,200
Dividends		
4 % first preferred	302,890	323,092
4½ % second preferred	2,077,453	2,180,684
Common	62,000,000	55,000,000
	64,380,343	57,503,776
Earned surplus — end of year (note 7)	<u>\$246,724,907</u>	<u>\$249,972,424</u>

AUDITORS' REPORT

PRICE WATERHOUSE & CO.

To the Shareholders of Aluminum Company of Canada, Ltd

We have examined the consolidated balance sheet of Aluminum Company of Canada, Ltd and subsidiary companies as at 31 December 1968 and the consolidated statements of income, earned surplus, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at 31 December 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Montreal, 11 February 1969

NOTES TO FINANCIAL STATEMENTS

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. All intercompany items and transactions, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange current at 31 December 1968, except that (a) certain fixed bank deposits, inventories, investments and fixed assets with related provisions for depreciation and depletion are at rates determined at dates of acquisition and (b) debts not maturing within one year are at rates current at dates of original borrowing. Accounts in the consolidated statement of income, except provisions for depreciation and depletion, are translated at average exchange rates prevailing during the year.

2. Inventories of Aluminum and other Materials

Inventories, as summarized below, are stated at cost (determined for the most part on the monthly average method) or market, whichever is the lower.

	1968	1967
Aluminum	\$ 57,205,530	\$ 56,445,848
Raw materials	64,574,214	62,241,713
Other	24,121,365	26,571,175
	<u>\$ 145,901,109</u>	<u>\$ 145,258,736</u>

3. Property, Plant and Equipment

	1968	1967
Land and water rights	\$ 49,386,665	\$ 51,282,485
Mineral properties, rights and development	13,927,623	13,049,454
Buildings, machinery and equipment	1,489,069,349	1,440,705,634
	<u>1,552,383,637</u>	<u>1,505,037,573</u>
Construction work in progress	13,109,134	43,470,424
	<u>\$1,565,492,771</u>	<u>\$1,548,507,997</u>

Capital projects are expected to involve the expenditure of some \$40 million during 1969.

4. Depreciation Policy and Deferred Income Taxes

Depreciation, as recorded in the accounts, is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

Income tax regulations in Canada, and in certain other countries, permit the use (for the purpose of determining income taxes) of various forms of capital cost allowances which do not coincide with the amount of depreciation recorded in the accounts. These allowances generally exceed straight-line depreciation during the early life of new assets and later fall short of it.

When capital cost allowances utilized for determining income taxes exceed straight-line depreciation, an amount equivalent to the resultant reduction in current income taxes is charged to income and credited to Deferred Income Taxes. When these allowances so utilized fall short of straight-line depreciation, resulting in higher income taxes than would otherwise be payable, an appropriate portion of the amount previously deferred is transferred back to income.

ALUMINUM COMPANY OF CANADA, LTD

and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS

5. Debt Not Maturing Within One Year

	1968	1967
Aluminum Company of Canada, Ltd		
Revolving credit loans from banks, under U.S. \$160,000,000 credit agreement, convertible at the Company's option on 1 May 1971 into term loans repayable in five equal annual instalments beginning one year from date of conversion — (U.S. \$160,000,000)	\$171,520,071	\$171,520,071
3½ % Sinking fund debentures, due 1971	17,821,000	19,704,000
3⅞ % Sinking fund debentures, due 1970 (U.S. \$10,739,000)	10,567,847	14,361,408
4½ % Sinking fund debentures, due 1973	22,327,000	26,958,000
4½ % Sinking fund debentures, due 1980 (U.S. \$66,491,000)	64,348,234	72,854,964
5.10 % Notes, due 1969/1992 (U.S. \$98,000,000)	95,634,759	97,586,489
Redeemable notes, payable to the U.K. Government		
3 % Note, due 1969	11,950,000	54,950,000
3½ % Note, due 1969/1970	24,975,000	24,975,000
3½ % Note, due 1974	40,000,000	40,000,000
Other debt	11,183,000	12,270,427
Alcan (Bermuda) Limited		
7½ % Promissory notes, due 1971/1978 (Lire 6 billion)	10,326,565	
Other companies		
Bank loans, due 1971	10,815,620	10,815,620
Debt, due 1969/1971	7,036,985	8,146,000
	498,506,081	554,141,979
Less: Debt maturing within one year included in current liabilities (equivalent to \$27,628,747 at year-end rates of exchange)	26,807,590	5,802,029
	<u>\$471,698,491</u>	<u>\$548,339,950</u>

In August 1968, the U.K. Government accepted the Company's offer to prepay at a discount \$80 million of the 3 % and 3½ % redeemable notes. As a result, \$43 million of the 3 % notes was prepaid in 1968 for \$39 million (see note 9) and the remaining \$37 million will be repaid at a discount at regular intervals during 1969 and 1970.

After allowing for prepayments, sinking fund and other requirements over the next five years against the above debt amount to approximately \$26.8 million in 1969, \$27.2 in 1970, \$45.4 in 1971, \$47.9 in 1972 and \$66.5 in 1973.

NOTES TO FINANCIAL STATEMENTS

6. Preferred Shares

At the option of the Board of Directors, preferred shares may be redeemed in whole or in part, at the following prices:

4% First preferred shares — on twenty days' notice at \$26.375 per share.

4½% Second preferred shares — on thirty days' notice (a) for other than sinking fund purposes at \$52.50 per share to 30 November 1970, decreasing by 25 cents per share each three years to 30 November 1976, and thereafter at \$51.75 per share, and (b) for sinking fund, at \$51.50 per share.

7. Dividend Restrictions

Pursuant to the provisions of certain debt issues, \$167.4 million of earned surplus at 31 December 1968 is not distributable in dividends either in cash or in kind on the common shares.

8. Commitments

The Company and certain subsidiaries have entered into purchase agreements and long-term leases including the charter hire of ships amounting to \$9.2 million in 1969 (\$19.8 paid in 1968), \$6.6 in 1970, \$3.6 in 1971, and lesser annual amounts up to 1978.

See also reference to capital expenditures in note 3.

9. Other Income

	1968	1967
Income from time deposits and Government of Canada securities	\$ 4,056,450	\$2,242,583
Gain on redemption of debt	4,262,948*	(276,636)
Gain on disposal of fixed assets	2,069,793	2,428,431
Other	990,437	326,868
	<u>\$11,379,628</u>	<u>\$4,721,246</u>

*Including a \$4.0 million non-taxable gain from prepayment of redeemable notes held by the U.K. Government (see note 5).

10. Pension Plan

The Company and its subsidiaries, along with other associated companies, participate in a contributory pension plan which is generally open to all employees. In 1968, the Company and its subsidiaries incurred a pension expense of \$8.1 million with respect to this plan which is virtually fully funded.

11. Statutory Information

Total remuneration received by the directors of the Company (including the salaries of officers who are directors) amounted to \$177,700 in 1968.

DIRECTORS

DANA T. BARTHOLOMEW — Executive Vice President, Finance, Alcan Aluminium Limited

F. W. BRUCE — President

DAVID M. CULVER — Executive Vice President, Fabricating and Sales, Alcan Aluminium Limited

HOLBROOK R. DAVIS — Chief Employee Relations Officer, Alcan Aluminium Limited

NATHANAEL V. DAVIS — President, Alcan Aluminium Limited

J. F. EVANS — Chief Administrative Officer, Alcan Aluminium Limited

J. F. HORWOOD — Chief Technical Officer, Alcan Aluminium Limited

PAUL LAROQUE — Secretary and Chief Legal Officer, Alcan Aluminium Limited

PAUL LEMAN — Executive Vice President

R. E. POWELL — Honorary Chairman

J. ALEX. PRUD'HOMME, Q.C. — of the firm Geoffrion & Prud'homme

M. P. WEIGEL — Executive Vice President, Raw Materials, Alcan Aluminium Limited

OFFICERS

F. W. BRUCE — President

J. ALEX. PRUD'HOMME, Q.C. — Vice President

PAUL LEMAN — Executive Vice President

CLAUDE P. BEAUBIEN — Vice President, Public Relations and Advertising

J. W. CAMERON — Vice President, Smelters

N. S. CRERAR — Vice President, Power

D. W. EVANS — Vice President, Chemicals

J. J. GAGNON — Vice President, Personnel

M. WILLIAMSON — Vice President, Canadian Fabricating and Sales

F. C. WINSER — Vice President, Export Sales

E. H. EBERTS — Vice President and Secretary

WILLIAM J. REID — Vice President and Treasurer



ALUMINUM COMPANY OF CANADA, LTD
Montreal, Quebec, Canada